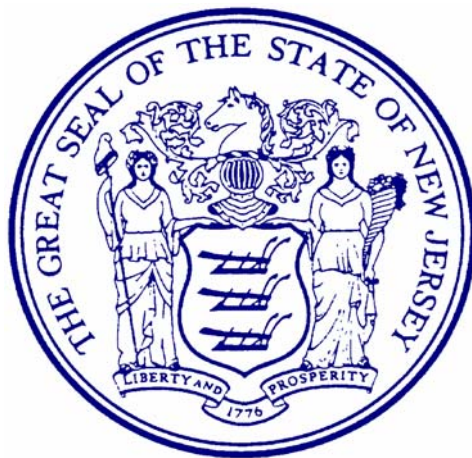


**ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO
QUARTERLY REPORT**

FOR THE QUARTER ENDED JUNE 30, 2006

**SUBMITTED TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO

BALANCE SHEETS

AS OF JUNE 30, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$16,909	\$14,184
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2006, \$3,552; 2005, \$3,684).....		5,577	5,150
4	Inventories		2,628	2,520
5	Other Current Assets.....	Note 7	6,051	7,655
6	Total Current Assets.....		31,165	29,509
7	Investments, Advances, and Receivables.....	Note 8	13,289	12,390
8	Property and Equipment - Gross.....	Note 9	225,755	219,664
9	Less: Accumulated Depreciation and Amortization.....	Note 9	(69,544)	(54,209)
10	Property and Equipment - Net.....	Note 9	156,211	165,455
11	Other Assets.....		980	1,737
12	Total Assets.....		\$201,645	\$209,091
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$4,871	\$6,163
14	Notes Payable.....		683	3,593
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	
16	External.....		305	302
17	Income Taxes Payable and Accrued.....		201	
18	Other Accrued Expenses.....	Note 10	11,028	11,020
19	Other Current Liabilities.....	Note 11	4,087	3,832
20	Total Current Liabilities.....		21,175	24,910
	Long-Term Debt:			
21	Due to Affiliates.....			
22	External.....		89	426
23	Deferred Credits			
24	Other Liabilities.....	Note 12	4,405	4,193
25	Commitments and Contingencies.....			
26	Total Liabilities.....		25,669	29,529
27	Stockholders', Partners', or Proprietor's Equity.....		175,976	179,562
28	Total Liabilities and Equity.....		\$201,645	\$209,091

* Restated to conform to current year presentation.

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$86,698	\$88,219
2	Rooms.....		6,285	5,184
3	Food and Beverage.....		9,151	10,281
4	Other.....		1,138	1,693
5	Total Revenue.....		103,272	105,377
6	Less: Promotional Allowances.....		20,843	24,489
7	Net Revenue.....		82,429	80,888
	Costs and Expenses:			
8	Cost of Goods and Services.....		54,124	55,949 *
9	Selling, General, and Administrative.....		18,639	18,058 *
10	Provision for Doubtful Accounts.....		211	157
11	Total Costs and Expenses.....		72,974	74,164 *
12	Gross Operating Profit.....		9,455	6,724 *
13	Depreciation and Amortization.....		7,639	8,012 *
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....		214	391 *
16	Income (Loss) from Operations.....		1,602	(1,679) *
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....			
18	Interest Expense - External.....		(216)	(322) *
19	CRDA Related Income (Expense) - Net.....		(633)	(214) *
20	Nonoperating Income (Expense) - Net.....	Note 13	469	233 *
21	Total Other Income (Expenses).....		(380)	(303) *
22	Income (Loss) Before Taxes and Extraordinary Items.....		1,222	(1,982) *
23	Provision (Credit) for Income Taxes.....	Note 6	506	499
24	Income (Loss) Before Extraordinary Items.....		716	(2,481) *
	Extraordinary Items (Net of Income Taxes -			
25	2006, \$0; 2005, \$0).....		0	
26	Net Income (Loss).....		\$716	(\$2,481) *

* Restated to conform to current year presentation.

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$43,783	\$43,682 *
2	Rooms.....		3,397	2,890
3	Food and Beverage.....		4,746	5,415
4	Other.....		599	886
5	Total Revenue.....		52,525	52,873
6	Less: Promotional Allowances.....		10,870	11,951
7	Net Revenue.....		41,655	40,922
	Costs and Expenses:			
8	Cost of Goods and Services.....		27,209	28,337 *
9	Selling, General, and Administrative.....		9,751	8,982 *
10	Provision for Doubtful Accounts.....		129	28
11	Total Costs and Expenses.....		37,089	37,347 *
12	Gross Operating Profit.....		4,566	3,575 *
13	Depreciation and Amortization.....		3,809	3,933 *
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		124	204 *
16	Income (Loss) from Operations.....		633	(562) *
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		(105)	(167) *
19	CRDA Related Income (Expense) - Net.....		(265)	23 *
20	Nonoperating Income (Expense) - Net.....	Note 13	266	146 *
21	Total Other Income (Expenses).....		(104)	2 *
22	Income (Loss) Before Taxes and Extraordinary Items.....		529	(560) *
23	Provision (Credit) for Income Taxes.....	Note 6	254	252
24	Income (Loss) Before Extraordinary Items.....		275	(812) *
	Extraordinary Items (Net of Income Taxes -			
25	2006, \$ 0; 2005, \$0).....			
26	Net Income (Loss).....		\$275	(\$812) *

* Restated to conform to current year presentation.

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND THE SIX MONTHS ENDED JUNE 30, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)		Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2004.....						\$228,876		(\$44,236)	\$184,640
2	Net Income (Loss) - 2005.....								(6,782)	(6,782)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Capital Withdrawals						(2,598)			(2,598)
7										0
8										0
9										0
10	Balance, December 31, 2005.....		0	0	0	0	226,278	0	(51,018)	175,260
11	Net Income (Loss) - 2006.....								716	716
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15										0
16										0
17										0
18										0
19	Balance, June 30, 2006		0	\$0	0	\$0	\$226,278	\$0	(\$50,302)	\$175,976

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$10,244	\$3,083 *
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments		0	0
3	Proceeds from the Sale of Short-Term Investments		87	136
4	Cash Outflows for Property and Equipment.....		(3,129)	(1,618)
5	Proceeds from Disposition of Property and Equipment.....		49	5
6	CRDA Obligations		(1,020)	(1,138) *
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances		0	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(4,013)	(2,615) *
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		1,000	5,186 *
14	Payments to Settle Short-Term Debt.....		(3,865)	(1,593) *
15	Proceeds from Long-Term Debt		(5)	44
16	Costs of Issuing Debt.....		0	
17	Payments to Settle Long-Term Debt.....		(162)	(78)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....		0	
20	Payments of Dividends or Capital Withdrawals.....		0	(2,598) *
21				
22				
23	Net Cash Provided (Used) By Financing Activities.....		(3,032)	961 *
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		3,199	1,429
25	Cash and Cash Equivalents at Beginning of Period.....		13,710	12,755
26	Cash and Cash Equivalents at End of Period.....		\$16,909	\$14,184
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$60	\$27
28	Income Taxes.....		\$175	\$517

* Restated to conform to current year presentation.

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$716	(\$2,481) *
30	Depreciation and Amortization of Property and Equipment...		7,521	7,803
31	Amortization of Other Assets.....		118	209 *
32	Amortization of Debt Discount or Premium.....		0	
33	Deferred Income Taxes - Current		0	
34	Deferred Income Taxes - Noncurrent		0	
35	(Gain) Loss on Disposition of Property and Equipment.....		(49)	(5)
36	(Gain) Loss on CRDA-Related Obligations.....		633	214
37	(Gain) Loss from Other Investment Activities.....		0	
38	(Increase) Decrease in Receivables and Patrons' Checks		(1,036)	325 *
39	(Increase) Decrease in Inventories		(40)	(21)
40	(Increase) Decrease in Other Current Assets.....		1,349	(2,613) *
41	(Increase) Decrease in Other Assets.....		(114)	(244) *
42	Increase (Decrease) in Accounts Payable.....		(652)	(918)
43	Increase (Decrease) in Other Current Liabilities		1,755	672 *
44	Increase (Decrease) in Other Liabilities		43	142 *
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$10,244	\$3,083 *

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$3,129)	(\$1,618)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$3,129)	(\$1,618)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

* Restated to form to current year presentation.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE SIX MONTHS ENDED JUNE 30, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	112,029	\$3,147		
2	Food	243,969	3,350		
3	Beverage	1,009,851	2,543		
4	Travel			786	461
5	Bus Program Cash	217,698	4,411		
6	Other Cash Complimentaries	121,178	7,333		
7	Entertainment	1,493	53		
8	Retail & Non-Cash Gifts			391,274	2,494
9	Parking			184,915	555
10	Other	779	6		
11	Total	1,706,997	\$20,843	576,975	\$3,510

FOR THE THREE MONTHS ENDED JUNE 30, 2006

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	61,533	\$1,682		
2	Food	130,760	1,677		
3	Beverage	542,142	1,318		
4	Travel			404	273
5	Bus Program Cash	121,049	2,606		
6	Other Cash Complimentaries	62,084	3,572		
7	Entertainment	419	13		
8	Retail & Non-Cash Gifts			206,308	1,319
9	Parking			95,266	286
10	Other	259	2		
11	Total	918,246	\$10,870	301,978	\$1,878

**ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED JUNE 30, 2006

1. I have examined this Quarterly Report
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

August 14, 2006

Date



Keith Crede

Executive Director of Finance

Title

6939-11

License Number

On Behalf of:

ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO

Casino Licensee

ACE GAMING, LLC
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. The Company

Atlantic Coast Entertainment Holdings, Inc., or Atlantic Holdings or the Company, owns and operates The Sands Hotel and Casino, or The Sands, located in Atlantic City, New Jersey through a wholly-owned subsidiary, ACE Gaming, LLC, or ACE Gaming, a New Jersey limited liability company. The Sands is located on approximately 6.1 acres of land one half block from the Boardwalk at Brighton Park, between Indiana Avenue and Dr. Martin Luther King, Jr. Boulevard. The Sands facility currently consists of a casino and simulcasting facility with approximately 80,000 square feet of gaming space, two hotels with a total of 620 rooms, and related facilities.

Atlantic Holdings is an indirect majority-owned subsidiary of American Real Estate Partners, L.P., or AREP, a Delaware master limited partnership whose units are traded on the New York Stock Exchange. As of June 30, 2006, affiliates of Carl C. Icahn owned 9,813,346 Preferred Units and 55,655,382 Depositary Units, which represent approximately 86.5% of the outstanding Preferred Units and approximately 90.0% of the outstanding Depositary Units of AREP. Mr. Icahn is the Chairman of the Board of Directors and owns all of the capital stock of American Property Investors, Inc., AREP's general partner.

Note 2. Basis of Presentation

The financial statements were prepared following the requirements of the Casino Control Commission of the State of New Jersey for interim reporting. Accordingly, certain footnotes or other financial information that are normally required by GAAP (U.S. generally accepted accounting principles) can be condensed or omitted.

In the opinion of management, the accompanying financial statements include all adjustments (consisting only of those of a normal recurring nature), which are necessary for a fair presentation of the results for the interim periods presented. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to such rules and regulations of the SEC. Interim results are not necessarily indicative of results to be expected for any future interim period or for the entire fiscal year.

Recently Issued Accounting Pronouncements

In April 2006, the Financial Accounting Standards Board, or FASB, issued FSP FIN 46R-6, "Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)." This FSP provides guidance in applying FIN 46R, "Consolidation of Variable Interest Entities." The variability that is considered can affect the determination of whether an entity is a VIE; which party, if any, is the primary beneficiary of the VIE; and calculations of expected losses and expected residual returns. A company is required to apply the guidance in the FSP prospectively to all entities (including newly created entities) with which that company first becomes involved and to all entities previously required to be analyzed under FIN 46R when a "reconsideration event" has occurred beginning the first day of the first reporting period beginning after June 15, 2006. The Company adopted FSP FIN 46R-6 on July 1, 2006 and the adoption had no effect on its financial statements.

In June 2006, the FASB issued Interpretation No. 48, or FIN No. 48, "Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109." This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN No. 48 prescribes a recognition threshold and measurement principles for financial statement disclosure of tax positions taken or expected to be taken on a tax return. This interpretation is effective for fiscal years beginning after December 15, 2006. The adoption of FIN No. 48 will not have a material impact on the financial statements.

Note 3. Related Party Transactions

We have an intercompany services arrangement with American Casino & Entertainment Properties LLC, or ACEP, which is controlled by AREP, under which ACEP provides management and consulting services. We are billed based upon an allocation of salaries plus an overhead charge of 15% of the salary allocation plus reimbursement of reasonable out-of-pocket expenses. For the three months ended June 30, 2006 and 2005, we were billed approximately \$121,000 and \$179,000, respectively by ACEP. For the six months ended June 30, 2006 and 2005 we were billed approximately \$202,000 and \$315,000, respectively by ACEP.

During the three and six months ended June 30, 2006 and 2005 we made payments to XO Communications, Inc., which is controlled by affiliates of Mr. Icahn, for certain telecommunications services provided to us. The payments totaled approximately \$55,000 and \$44,000 for the three months ended June 30, 2006 and 2005, respectively, and \$104,000 and \$84,000 for the six months ended June 30, 2006 and 2005, respectively.

On June 5, 2006, ACE Gaming entered into a call agreement, the Option Agreement, with American Real Estate Holdings Limited Partnership, or AREH, pursuant to which AREH granted ACE Gaming the option to acquire all of its membership interests in AREP Boardwalk Properties, LLC, or AREP Boardwalk. AREP Boardwalk purchased 7.7 acres of land adjacent to the Sands property, or the Traymore Site, on May 19, 2006 and has an arrangement with ACE Gaming to manage the surface parking lots on its behalf. The Option Agreement allows ACE Gaming to exercise its option at any time until 5:00 PM on June 5, 2007. The Option Agreement provides that the purchase price of the membership interests underlying the option set forth therein is the sum of \$61 million (the price paid by AREP Boardwalk to acquire the Traymore Site), the Traymore Closing Costs (as defined in the Option Agreement), the Traymore Financing Costs (as defined in the Option Agreement); and the Operating Costs (as defined in the Option Agreement), plus, in each case, interest thereon at a rate of 8% per annum less any revenue received by AREP Boardwalk or AREH from the Traymore Site.

In connection with the consent solicitation and the offer to exchange, which was consummated on July 22, 2004, or the Transaction, GB Holdings, Inc., Greate Bay Hotel and Casino, Inc., or GBHC, Atlantic Holdings and ACE Gaming entered into a Contribution Agreement, pursuant to which, Atlantic Holdings paid approximately \$200,000 and \$2.6 million to GB Holdings for the three and six months ended June 30, 2005, respectively. No amounts were paid to GB Holdings, Inc. in connection with the Contribution Agreement during 2006. In 2005 we paid GB Holdings approximately \$2.4 million for interest payments on the GB Holdings 11% notes due 2005 which were not previously exchanged for the Company's 3% notes in the Transaction. Additionally, we agreed to pay GB Holdings an amount equal to GB Holdings' normal, ordinary course operating expenses (including legal and accounting costs, directors' and officers' insurance premiums, and fees for SEC filings) not to exceed in the aggregate \$250,000 in any twelve month period, subject to a number of conditions.

During May 2005, Mr. Icahn converted approximately \$28.8 million principal amount of the Company's 3% notes into 1,898,181 shares of the Company's common stock, and following the conversion of the notes, Mr. Icahn exercised 7,748,412 warrants for an aggregate of 2,130,904 shares of the Company's common stock. During 2005, other warrant holders exercised 17,789 warrants for 4,892 shares of the Company's common stock.

As of June 30, 2006 and 2005, we owed approximately \$123,000 and \$442,000, respectively, to related parties. This relates to the intercompany services arrangement with ACEP and AREP Boardwalk.

Note 4. Line of Credit

As of June 30, 2006 and 2005, we had outstanding borrowings of \$0 and \$3 million, respectively. The outstanding principal balance would accrue interest at a fixed rate to be set monthly which is equal to one month LIBOR (but not less than 1.5%), plus 8% per annum, which totaled 13.4% at June 30, 2006. Atlantic

Holdings is required to pay an unused line fee for each preceding three-month period during the term of the credit facility in an amount equal to .35% of the excess of the available commitment over the average outstanding monthly balance during such preceding three-month period.

Note 5. Commitments and Contingencies

During 2005, we incurred an operating loss relating to our operations. However, we continue to generate positive cash flow. We believe that our efforts to improve profitability may lead to a reversal of these operating losses. However, as there is no guarantee that these efforts will be successful, we continue to evaluate whether there is an impairment under SFAS No. 144. In the event that a change in operations results in a future reduction of cash flows, we may determine an impairment under SFAS No. 144 has occurred at The Sands, and an impairment charge may be required.

We have recently been requested by the New Jersey Division of Gaming Enforcement, or DGE, to provide documentation that we are in compliance with our internal audit reporting lines. Such documentation was provided on May 19, 2006, in accordance with the DGE's request.

Legal Proceedings

We challenged our property tax assessment in the Tax Court of New Jersey beginning with the tax year 1996 and including each year thereafter through 2006. A trial was held with respect to tax years 1996 through 1999. On May 12, 2006 an opinion was issued by the tax court upholding the original assessment for 1996 and reducing the tax assessment for the remaining three years. We are currently determining whether to appeal this decision. This decision, if upheld, would result in a refund of \$3,290,539 plus interest. A trial for tax years 2000 through 2006 is anticipated to be scheduled in the near future. As with any litigation there can be no assurance of the ultimate outcome, our ability to collect any judgment which may be awarded, or the terms under which any amount awarded or mutually agreed upon would be paid.

We are, from time to time, parties to various legal proceedings arising out of our businesses. We believe, however, there are no proceedings pending or threatened against us, which, if determined adversely, would have a material adverse effect upon our business financial conditions, results of operations or liquidity.

Note 6. Income Taxes

The income tax expense recorded is attributable to two current New Jersey minimum income tax statutes. The New Jersey Business Tax Reform Act enacted in 2002 introduced a new alternative minimum assessment under the New Jersey corporate income tax provisions based on gross receipts or gross profits. Any minimum taxes paid under this statute are available as a credit against future New Jersey corporate income taxes. Additionally, in 2003, the New Jersey Casino Control Act imposed a new "Casino Net Income Tax" which assesses an annual tax equal to the greater of 7.5% of adjusted net income or \$350,000. Both of these enacted tax provisions are set to expire in 2006.

Note 7. Other Current Assets

Other current assets consisted of the following:

	June 30,	
	2006	2005
	(in thousands)	
Deposits - Workers Compensation	\$ 2,656	\$ 3,397
Prepaid insurance	1,147	737
Prepaid slot license fee	1,077	1,087
Prepaid real estate tax	-	1,464
Other current assets	1,171	970
	<u>\$ 6,051</u>	<u>\$ 7,655</u>

Note 8. Investments, Advances and Receivables

Investments, advances and receivables consists of the following Casino Reinvestment and Development Authority ("CRDA") investments:

	June 30,	
	2006	2005
	(in thousands)	
CRDA deposits	\$ 17,683	\$ 16,927
CRDA bond receivables	8,087	8,177
	25,770	25,104
Less valuation allowance on		
CRDA investments	(12,481)	(12,714)
	<u>\$ 13,289</u>	<u>\$ 12,390</u>

Note 9. Property and Equipment

Property and equipment consisted of the following:

	June 30,	
	2006	2005
	(in thousands)	
Land	\$ 54,344	\$ 54,344
Buildings and improvements	88,272	88,148
Operating equipment	81,810	75,746
Construction in progress	1,329	1,426
	225,755	219,664
Less: accumulated depreciation and amortization	(69,544)	(54,209)
Net property and equipment	<u>\$ 156,211</u>	<u>\$ 165,455</u>

Note 10. Other Accrued Expenses

Other accrued expenses consisted of the following:

	June 30,	
	2006	2005
	(in thousands)	
Accrued vacation	\$ 1,634	\$ 1,555
Major Medical - Non-union	1,095	1,348
Accrued wages	809	1,635
Other accrued expenses	7,490	6,482
	<u>\$ 11,028</u>	<u>\$ 11,020</u>

Note 11. Other Current Liabilities

Other current liabilities consisted of the following:

	June 30,	
	2006	2005
	(in thousands)	
Workers Comp liability	\$ 1,505	\$ 933
CRDA bonds payable	543	541
Unredeemed gaming chips	467	340
Union liability	425	665
Other current liabilities	1,147	1,353
	<u>\$ 4,087</u>	<u>\$ 3,832</u>

Note 12. Other Liabilities

Other liabilities consisted of the following:

	June 30,	
	2006	2005
	(in thousands)	
CRDA - East Hall	\$ 3,670	\$ 3,509
Other liabilities	735	684
	<u>\$ 4,405</u>	<u>\$ 4,193</u>

Note 13. Nonoperating Income (Expense) – Net

Nonoperating income (expense) – net is comprised of the following:

	June 30,	
	2006	2005
	(in thousands)	
CRDA Interest Income	\$ 366	\$ 215
Interest income	103	38
Re-organization expenses	-	(20)
	<u>\$ 469</u>	<u>\$ 233</u>